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September 9, 2014

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-14-04
2013 DSM Expenditures Prudency – Idaho Power Company's Reply Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Reply Comments.

Sincerely,

Julia A. Hilton

JAH:evp
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR A DETERMINATION OF 2013 DEMAND-SIDE MANAGEMENT EXPENDITURES AS PRUDENTLY INCURRED	)	CASE NO. IPC-E-14-04 IDAHO POWER COMPANY'S REPLY COMMENTS

Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits to the Idaho Public Utilities Commission ("Commission") its Reply Comments in the above-captioned proceeding.

I. INTRODUCTION

Idaho Power filed its Application on March 14, 2014, requesting that the Commission find that it prudently incurred $25,951,486 in Demand-Side Management ("DSM") expenses in 2013, including $21,748,331 in Idaho Energy Efficiency Rider ("Rider") expenses, and $4,203,155 of Demand Response ("DR") program incentives included in the 2014 Power Cost Adjustment ("PCA"). The Commission Staff ("Staff"), Idaho Conservation League ("ICL"), and Industrial Customers of Idaho Power ("ICIP") submitted comments on the Company's Application on July 29, 2014.

In their comments, Staff agreed that the Commission should find that the Company prudently incurred DSM-related expenses of $25,951,486. Staff comments at 3. However, Staff's recommendation came with strong criticism of the Company and its DSM programs, including a recommendation that the Commission direct the Company to provide the Energy Efficiency Advisory Group ("EEAG") with a DSM action plan describing how the Company will increase acquisition of cost-effective energy efficiency in the upcoming year. Staff Comments at 13.

ICL also recommended that the Commission find Idaho Power's 2013 DSM expenses of $25,951,486 prudent. ICL Comments at 1. Additionally, ICL recommends that the Commission base its determination of cost-effectiveness on the Utility Cost Test ("UCT"), deem the Company's administration of most of its DSM programs as imprudent, and provide forward-looking guidance to explicitly review avoided cost calculations and prudently administer the Company's relationship with the Northwest Energy Efficiency Alliance ("NEEA"). ICL Comments at 18-19.

ICIP stated that Idaho Power's DSM expenditures were in accordance with agreed upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures ("MOU"). ICIP Comments at 1-2. However, ICIP recommends that the Commission require Idaho Power to take measures to reverse the downward trend in energy efficiency achievement. ICIP Comments at 7.

II. REPLY COMMENTS

None of the comments filed recommend a disallowance to the Company's request that the Commission find its 2013 DSM-related expenditures were prudently incurred. Nonetheless, the Company has concerns about many issues raised in comments.

A. Idaho Power's Actions are Intended to Maximize Energy Efficiency and Demand Response at the Lowest Cost.

1. Idaho Power is Committed to Pursuing all Cost-Effective DSM.

Staff suggests that the Company is non-compliant with the Commission's directive to pursue all cost-effective energy efficiency. Staff Comments at 3-5. Staff misconstrues the Company's intent and actions, particularly as related to the Company's participation in NEEA and the Company's request to temporarily suspend two of its demand response programs. Idaho Power worked extensively and collaboratively with NEEA and other funders to create a new funding model that will allow Idaho Power to gain the value it can from NEEA without providing funding for programs that do not directly benefit Idaho Power's customers.

Similarly, the Company's request to temporarily suspend two of its three demand response programs was based upon a desire to get stakeholder input as soon as it became apparent that the Company's DR programs would not meet traditional cost-effectiveness tests because there were no near-term peak-hour capacity deficits identified in the Peak Load and Resource Balance analysis prepared for the 2013 Integrated Resource Plan ("IRP"). This request for temporary suspension was done quickly in order to resolve the immediate problem, and ultimately, an agreement was reached in Case No. IPC-E-13-14 that provided for a certain level of DR regardless of need and contained program changes that reflected stakeholders' input and ultimately resulted in lower costs for customers. Idaho Power believes that the time and effort that went into the DR proceedings demonstrates its commitment to providing cost-effective DSM and ensuring customer funds are prudently spent.

Staff incorrectly alleges that the Company failed to analyze the drop in DSM alternative costs. Staff Comments at 4. As stated on pages 14-15 of the Company's Reply Comments in case IPC-E-13-08:

> Idaho Power had addressed this issue with Commission Staff on several occasions, including the November 2012 and May 2013 EEAG meetings. The calculation of the DSM alternative costs using the IRP preferred portfolio is one of the last steps in the preparation of the IRP and, as a result, the Company did not have the 2013 DSM alternative costs finalized until shortly before the 2013 IRP was completed and filed in June 2013.

The Company discussed the impacts of the lower avoided costs with the EEAG at both the September 18, 2013, and November 14, 2013, EEAG meetings. And in a March 17, 2014, EEAG conference call, the Company discussed potential changes and updated savings and DSM alternative costs for its commercial energy efficiency programs. Thus, Idaho Power analyzed the impacts of the decrease in alternative costs and discussed its analysis with the EEAG on multiple occasions.

2. Declining Energy Savings are not an Accurate Measure of the Company's Commitment to DSM.

Staff criticizes the Company for the decline in energy savings. Staff Comments at 5. The Company takes its mandate to pursue all cost-effective energy savings seriously and is continuously endeavoring to increase program participation and cost-effective energy savings. Idaho Power believes that the level of participation in its programs is an appropriate additional metric to measure program performance. In 2013 participation increased for eight of the twelve residential energy efficiency programs offered by Idaho Power. However, overall residential savings decreased. In contrast both participation and energy savings increased for the 2013 Irrigation Efficiency Rewards program.

Staff claims that the Company's reasons for declining energy savings do not fully explain the decline, citing six reasons why the Company's summary within the Demand-Side Management 2013 Annual Report ("DSM 2013 Report") is inaccurate. Staff Comments at 5-6. As stated in the DSM 2013 Report:

> The reduction in savings in the residential sector was due, in part, to new lower deemed-savings amounts approved by the RTF and Idaho Power continuing to offer some programs only to customers with electrically heated homes. Some of the energy-savings reduction in the industrial sector is due to the natural ebb and flow of projects. Industrial projects can take years to complete, and the savings are recorded in the year a project is completed. Fewer projects were completed for the industrial sector in 2013. The decrease in the commercial sector was due to some of the same reasons as the industrial sector; however, in the commercial sector, some trade allies report that the improved economy decreases the amount of retrofit projects they were able and willing to pursue and complete, turning their attention instead to new construction projects. Additionally, the overall reduced energy savings in 2013 may be caused, in part, by Idaho Power's and the region's increased evaluation, measurement, and verification (EM&V) activities.

DSM 2013 Report at 10.

In support of the Company's reasoning, ICIP recognizes that the programs have matured over the years and that the "declining effectiveness may be unsurprising in light of technical improvements and market transformation." ICIP Comments at 3. The six points made by Staff on pages 5-6 of their comments are addressed each in turn below:

First, Staff states that the decrease in residential energy savings due to changes in Regional Technical Forum ("RTF") savings estimates were partially offset by an increase in the savings estimates for the irrigation sector and the Green Motors program for industrial projects. Staff Comments at 5. There are several factors affecting the reduction in energy savings, and the reduction in the RTF savings estimates was the

biggest contributing factor in the reduction of energy savings in the residential sector. While the increase in RTF savings estimates in the irrigation sector offset much of the reduction in RTF savings estimates in the residential sector, the impact on residential savings cannot be ignored. The RTF savings estimates for measures included in Idaho Power's residential programs decreased 42 percent between 2012 and 2013 while at the same time participation in most of the residential programs increased. The reduction in RTF savings estimates on residential program savings was partially mitigated by an *increase* in participation in most Idaho Power residential programs, resulting in a decrease in reported savings for the residential sector of 28 percent. The information that Idaho Power provided through discovery (attached hereto as Attachment 1—Idaho Power's response to Staff's Production Request No. 6) in this case demonstrated that, if the 2012 RTF savings estimates are applied to 2013 residential program participation, total savings for the residential sector would increase by nine percent.[1] Savings estimates from the RTF for the residential sector have steadily declined since 2009. For example, compact fluorescent light bulbs (CFL) Kilowatt-hour ("kWh") savings were estimated to be 24 kWh per year per bulb in 2009. Now, the weighted average savings per bulb is 9 kWh per year. Refrigerator recycling was 682 kWh per year in 2009; it is now 424 kWh per year. Ductless Heat Pumps had a savings value of 3,500 kWh per year during the regional pilot from 2009–2012, while the weighted average is now 2,740 kWh per year. The most recent data available from the Northwest Power and Conservation Council ("Council") shows that regional DSM savings decreased from 2011 to 2012 (see slides 8 and 12), and demonstrated decreased utility energy efficiency savings and a forecast reduction in 2013–2015 (see

[1] The percentages above were not explicitly shown in the DR, but can be derived from the numbers provided in the attachment to DR 6.

slide 14 of *Progress Toward the 6th Plan's Regional Conservation Goals, 2012 Achievements 2013–2015 Projections*, Northwest Power and Conversation Council Meeting, January 15, 2014. http://rtf.nwcouncil.org/consreport/2012/ click on link titled "presentation."

Second, Staff suggests removing the Company's "self-imposed" restriction of offering some programs only to customers with electrically heated homes in order to access untapped energy savings. Staff Comments at 5. While this may provide access to more energy savings, these would not be cost-effective energy savings. As Idaho Power has described in the last several DSM Annual reports, even the inclusion of natural gas savings benefits do not make some programs cost-effective from the Total Resource Cost ("TRC") benefit/cost test.[2] Additionally, non-electric benefits do not apply to the UCT, so gas benefits would not improve the cost-effectiveness of measures or programs when looked at from the UCT perspective. Idaho Power does not include measures for gas-heated homes in its programs because the measures *are not cost-effective even with the inclusion of gas savings*. Idaho Power must comply with the MOU and Commission orders or guidance on cost-effectiveness and prudent program administration in order to offer programs and individual measures that are cost-effective from the TRC, UCT, and Participant Cost Test (PCT) perspectives. MOU at 6 and 9.

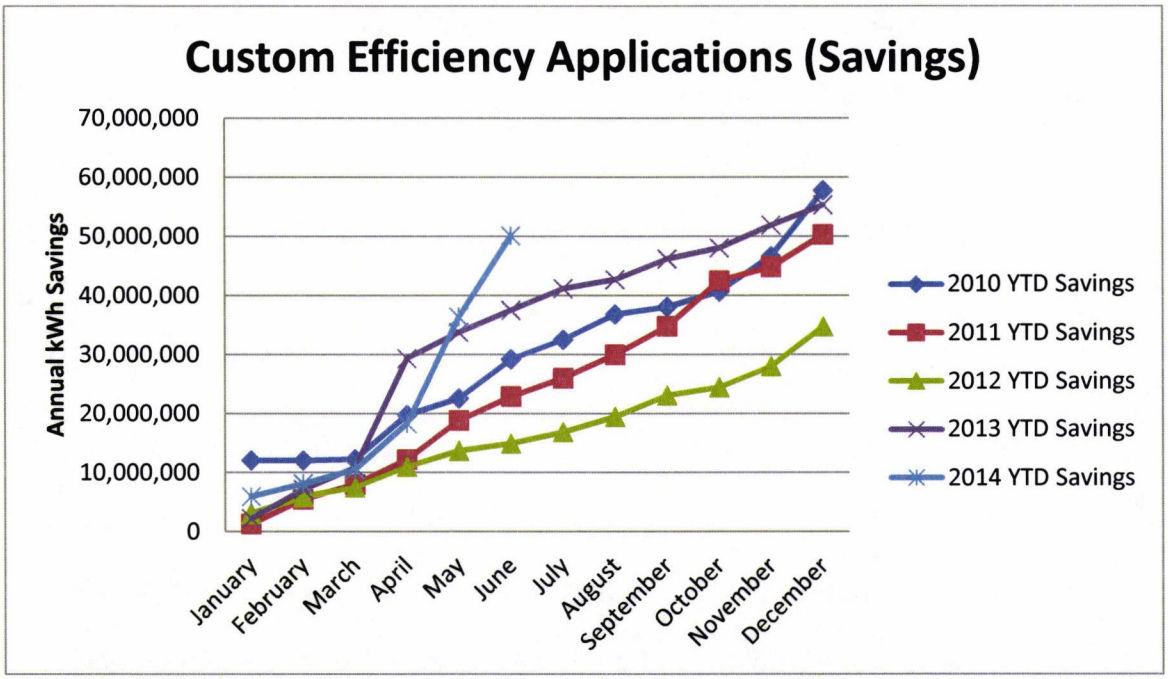
Third, Staff criticizes the Company for citing a natural ebb and flow of industrial projects as a factor in the decline in overall 2013 savings, asserting that if this were true Staff would expect to see variations of this magnitude in the past. Staff Comments at 6. And fourth, Staff disagrees that the improving economy decreases commercial savings

[2] Measures in the ENERGY STAR® Homes Northwest section, are not cost-effective from the Total Resource Cost perspective even with the inclusion of gas savings benefits. DSM 2012 Annual Report, Supp. 1 at 28. In the Home Improvement program section, non-electrically heated homes are not cost-effective from both the Utility Cost and the Total Resource Cost perspective. DSM 2012 Annual Report, Supp. 1 at 36-39.

as trade allies focus on new construction rather than retrofits because Idaho Power offers a program for new construction projects – Building Efficiency – in order to capture these savings. Staff points to the Building Efficiency program's above average savings in 2012 and notes that 2013 appears to be more in line with the recessionary years of 2009 and 2010. *Id.* While the commercial-industrial sector savings as a whole has declined over the years, the savings for each of the programs within that sector has varied from year to year. The above average savings achieved by the Building Efficiency program in 2012 combined with the decrease in the Custom Efficiency program savings in 2013 makes the overall decrease in the sector for 2013 seem dramatic at first glance, but Building Efficiency program projects commonly remain in process for multiple years due to the long construction time-lines. The above-average savings in the Building Efficiency program in 2012 was due to several long term projects being completed in 2012. Two of the projects had been tracked in Idaho Power's system for 5 years – beginning in 2008 and completed in 2012. These large projects have a significant impact on program savings. Eight percent of the projects completed in the Building Efficiency program in 2012 accounted for 59 percent of the reported savings for that year. Although the economy improved in 2013, Idaho Power did not expect to see a rebound in the Building Efficiency program in the same time period due to the long construction time-lines. The Building Efficiency program will likely experience a lag in savings until some large projects are completed. In 2012 and 2013 applications were received for several large projects. These projects are currently being tracked, however the savings associated with these projects will likely not be accounted for until 2015 or later when the projects are completed. The application process can take several years to complete and includes the following steps; customer submits

information about the proposed project, Idaho Power reviews information and provides an estimate of the incentive amount based on estimated savings, customer then evaluates options and commences construction. After the customer completes the project Idaho Power measures and verifies the savings, and an incentive is paid. Of the 59 Building Efficiency program projects completed in 2013, 12 applications were received in 2013, 33 in 2012, eight in 2011, and six in 2010.

The Custom Efficiency program has a similar issue with long construction time-lines. The DSM Annual Report only reports savings when the projects are completed and the incentives are paid. The focus by Staff and ICL has been on the decline in savings reported and incentives paid. Of the 73 Custom Efficiency projects completed in 2013, 28 were initiated in 2013, 42 in 2012, and three in 2011. The graph below illustrates the cumulative savings based on applications that were received in a given year. The savings based on applications received in 2013 were particularly high and 2014 is on track to have the highest savings potential enter the pipeline over the last five years. However, the timing of these projects—when the projects will be completed, inspected, incentives paid and the savings reported—remains uncertain and outside Idaho Power's control.



Fifth, Staff doubts that more stringent Evaluation, Measurement, and Verification ("EM&V") caused a decline because all but one of Idaho Power's program evaluations conducted in 2013 were process evaluations. Staff Comments at 6. To clarify, both Idaho Power's and the regions EM&V activities impacted savings through changes in the savings estimates from the RTF and other sources of savings information. DSM 2013 Report at 10. The evaluations that Idaho Power conducted in 2013 were process evaluations which would not affect savings directly, and as noted previously, these process evaluation reports were received late in 2013 and no recommended changes could be incorporated before the year ended. It is the six impact evaluations that were completed at the end of 2012 and the changes in RTF savings estimates that were most impactful on 2013 program savings. Staff repeatedly points to the steady decline in savings from 2010 to 2013 and criticizes the Company for it. It must be acknowledged that the impact evaluations and the changes in RTF savings estimates have had an impact on the reported savings over the years. To simply compare savings one year

over another or show a graph of annual percentage change in energy savings without consideration of other factors such as participation levels, the timing of projects and changes in savings estimates does not fully reflect all the factors that impact the reported savings from year to year.

Staff's sixth and final point compares Idaho Power to other regional utilities and is addressed in section 3 below.

3. Comparing Savings Estimates Across Utilities Incorrectly Assumes that Underlying Data is Similar.

Staff alleges that Idaho Power is the only utility that failed to rebound after a decrease in energy savings in 2011. Staff Comments at 7. However, Staff fails to acknowledge that Idaho Power's participation levels have increased and provides no information that demonstrates that such a comparison is based upon accurate or similar data. Staff acknowledges that "Rocky Mountain Power recently filed an Application requesting a prudency determination for DSM Rider funds spent in Idaho for the years 2010–2013." Staff Comments at 6. Staff has "yet to fully investigate the information provided" in PAC's Case No. PAC-E-14-07. *Id.* Avista has only recently filed for a prudence determination on its 2013 DSM activities on August 12, 2014, in case AVU-E-14-07. The 2013 energy savings for all three utilities are still under review in three open cases. While Avista received a prudence determination on its 2010–2012 DSM activities in April 2014, Rocky Mountain Power's 2010–2013 and Avista's 2013 DSM activities have not been fully vetted. It is premature to draw conclusions for all three utilities on activities and energy savings that have not been reviewed and approved by the Commission. While comparing savings from different utilities is problematic, it is also inaccurate to categorize Idaho Power as the only utility in the area with reduced savings in recent years. For example, NV Energy has seen five years of constant

savings reduction with the utility's customers saving 61 percent less in 2013 compared to 2009. Karen Henry, *NV Energy's Efficiency Programs Decline in 2013*, (July 25, 2014), http://www.energymanagertoday.com/nv-energys-efficiency-programs-decline-2013-0103420/.

Furthermore, comparing Idaho's Investor Owned Utilities' ("IOUs") annual reported energy savings can be problematic because the underlying data may be dissimilar. Each utility has different savings estimates, participant cost information, and DSM alternative costs that impact the savings reported and cost-effectiveness analyses. Even for similar measures that are offered by each utility, the savings reported can vary significantly due to each utility's differing eligibility requirements and assumptions around efficiency specifications, baselines, realization rates, and climate zones. In reviewing the 2009–2013 annual reports for the three IOUs, the three utilities cite different sources and use different per unit energy savings for similar measures in order to calculate the reported annual energy savings. These sources can come from the RTF, third-party evaluations and research, and internal engineering calculations. Moreover, even when the utilities use a similar source such as the RTF on a specific measure, each utility has different approaches of how and when to apply updated savings assumptions. Unless each IOU has the same eligibility requirements and utilizes the same methodology to apply the same savings for each measure, comparing Idaho Power's annual reported energy savings to other utilities may lead to an inaccurate interpretation of each utility's DSM activities.

Comparing participation could be a slightly better metric for comparisons; however, even participation counts are reported differently by counting at the unit, customer, or project level. A "unit" for a commercial Heating, Ventilation or Air-

Conditioning ("HVAC") measure could also be defined as "per equipment" or "per ton." Participation counts between years may also become skewed as measures are removed due to cost-effectiveness reasons or added due to one-time initiatives. Because each IOU is unique, a simple comparison of percent change in annual savings is not an accurate assessment of a particular utility's supposed successes or failures.

4. Idaho Power's Energy Efficiency Potential Aligns with its Peer Utilities.

Staff claims that Idaho Power's achievable potential as a percentage of economic potential as defined by the Idaho Power Energy Efficiency Potential Study performed by EnerNOC Utility Solutions Consulting, February 15, 2013, ("EnerNOC Study") is very low compared to other regional and national utilities and drastically deviates from the rest of the region. Staff Comments at 11. However, a recent study by the American Council for an Energy-Efficient Economy ("ACEEE Study") finds Idaho Power's performance to be solidly in the pack of utility performance measurements of other utilities in the region. Of those regional utilities that perform 16-20 year studies, the table below shows their cumulative percent of energy efficiency achievable potential and the average annual percent of achievable potential as compared to the baseline.

	Percent of Baseline	
	Cumulative Energy Efficiency Potential	**Average Annual Energy Efficiency Potential**
PacificCorp (2013 study)	12.00%	0.6%
Idaho Power	12.20%	0.6%
Puget Sound	16.00%	0.8%
Avista (WA & OR)	17.60%	0.9%

*Cracking the TEAPOT: Technical, Economic, and Achievable Energy Efficiency Potential Studies, ACEEE, August 2014, Report U1407, page 25. http://www.aceee.org/research-report/u1407.

Additionally, of the utilities whose long-term studies were analyzed and those that showed achievable potential as a percentage of economic potential, Avista's (51.3 percent) ranked lower than Idaho Power's (53.5 percent). *Id. at 27*

Staff defines economic and achievable potential by quoting the EnerNOC Study. Staff Comments at 11, fn 9. However, Staff utilized only a small portion of the EnerNOC Study's definition of economic potential to imply that all economic potential is achievable. The EnerNOC Study's entire definition of economic potential is:

> *Economic potential is still a hypothetical upper-boundary* of saving potential as it represents only measures that are economic but does not yet consider customer acceptance and other factors.

Idaho Power Energy Efficiency Potential Study, EnerNOC Utility Solutions Consulting, February 15, 2013, page 2-14 (emphasis added). It is inappropriate to use economic potential as a realistic goal for achievable potential.

Staff criticizes Idaho Power and EnerNOC Utility Consulting Solutions ("EnerNOC") for its lack of workpapers supporting the assessment of achievable potential. Staff Comments at 12. Staff alleges that the Company has not provided information about the gap between economic and achievable potential identified in the EnerNOC Study to the EEAG. Staff Comments at 11. Idaho Power relies on the expertise of EnerNOC, its third-party consultant, to make this determination. The "heaviest scrutiny" is reserved for assumptions and methodologies for estimating achievable and program potential because assumptions about market and program barriers are hard to quantify and often left to analysts' professional judgment. ACEEE Study at 7. EnerNOC's Study states that it used several factors to determine the ramp rates to define achievable potential, including Idaho Power's past DSM achievements, program history over the last five years, as well as the Council ramp rates. EnerNOC

Study page 6. At Idaho Power's request, EnerNOC presented the potential study to the EEAG on two different occasions: at a December 4, 2012 regular EEAG meeting and at a May 19, 2014 special half-day EEAG workshop that concentrated on the energy efficiency potential identified in the EnerNOC Study. In both of these meetings, representatives from EnerNOC were available to clarify information or answer questions.

Staff calculates the opportunity cost of the Company not achieving the full economic potential identified in the EnerNOC Study. Staff Comments at 12. Staff inappropriately assumes that economic potential is achievable potential. Both the EnerNOC Study and the ACEEE Study appropriately consider achievable potential as a subset of economic potential. Reliance on Staff's incorrect assumption that all economic potential is achievable would result in an overstatement of energy efficiency capabilities in the long-term IRP planning process, which would undermine the accuracy of the process and could understate the need for other resources.

B. <u>If Warranted, Discussions About Future DSM Activities and Expenditures Should be Addressed in a Separate Proceeding</u>.

A number of comments were directed at issues that are arguably outside the scope of this case. This docket is intended to assess whether the Company's 2013 DSM-related expenditures were prudently incurred. Arguments related to future DSM-related expenditures and how cost-effectiveness is assessed in the future would more appropriately be brought before this Commission in a separate case so that all parties would be able to advocate for their preferred approach in addressing future DSM issues. Idaho Power has responded to some of the parties comments about future activities in order to more fully inform the Commission of alternate points of view on an issue and to point out where the Company is taking action.

1. Staff's Request to Evaluate Funds Not Spent is Inappropriate.

Staff believes that the approximately $22 million in 2013 Rider expenses were prudently incurred; however, Staff suggests that what may not be prudent is the Company's decision to "not spend" customer funds. Staff Comments at 4. Idaho Power is concerned about a potential review of prudence for funds that are not spent. In determining what DSM expenditures to make, Idaho Power relies upon input and feedback from the EEAG to identify new cost-effective programs and/or modifications to existing programs. To the extent Staff wishes to make detailed specific proposals on cost-effective energy efficiency programs, it first should do so at the EEAG. Staff's opinions on appropriate "spending levels" may not be shared by all, or a majority of, EEAG members.

2. Staff's Request for an Action Plan is Unnecessary.

Staff requests that the Commission order the Company to provide the EEAG with a DSM action plan describing how the Company will increase its acquisition of cost-effective energy efficiency over the next year. Staff Comments at 13. The information that Staff requests is included within the Company's DSM 2013 Report and is already available to all EEAG members. In addition to summarizing the Company's DSM programs for the prior year, each program section in the DSM Annual Report contains subsections describing the plans and strategies for that DSM program in the upcoming year. For examples please refer to the 2014 Strategies section for the Custom Efficiency program (page 90), the Irrigation Efficiency Rewards program (page 109), and A/C Cool Credit program (page 28) of the DSM 2013 Report. https://www.idahopower.com/pdfs/AboutUs/RatesRegulatory/Reports/2013DSMAnnualReport.pdf. The Company regularly updates the EEAG on current program activities

and discusses future plans to drive participation as well as future program ideas. Therefore, a separate and additional action plan is unnecessary.

3. The Role of EEAG.

ICL alleges that Idaho Power has not worked collaboratively with EEAG or NEEA in addressing Idaho Power's concerns about NEEA's funding model. ICL Comments at 18. Idaho Power played an active and collaborative role in shaping NEEA's 2015–2019 business plan with a goal of establishing a new funding model that would ensure that all of Idaho Power's contributed funds create value for Idaho Power customers. Idaho Power openly discussed its concerns with the EEAG beginning in late 2012 and continually provided updates to EEAG throughout 2013 and 2014. EEAG meetings are open to the public, however, not all discussions on the topic were appropriate for public disclosure. At the February 6, 2014, EEAG meeting, Idaho Power provided specific updates to the EEAG regarding developments in the NEEA activities. Additionally, Idaho Power held a confidential EEAG webinar on April 24, 2014, where the group discussed detailed information about NEEA's business plan and areas where the Company felt it could provide the same services at a lower cost or more effectively. Idaho Power continued to update the EEAG on NEEA's alternative funding model concept.

Contrary to ICL's assertion, Idaho Power worked extensively with NEEA to resolve its concerns about NEEA's previous funding model. Idaho Power provided notice to NEEA in December of 2012 of its intent to withdraw from the next funding cycle (2015–2019), identifying NEEA's current funding model design as a chief concern. Idaho Power also notified the EEAG of its notice to NEEA in December of 2012. This early notice provided a lengthy time period in which Idaho Power could continue to work

with NEEA on alternative funding model ideas. Idaho Power has a representative on the NEEA Board of Directors who also served on the Alternative Funding Model Working Group Committee ("AFM Committee"). This AFM Committee provided NEEA's executive committee with a white paper that addressed possible solutions and primary goals in addressing funding options. Ultimately, the AFM Committee's efforts resulted in unanimous approval by the NEEA board of a funding model that provides for NEEA's core funding as well as optional funding activities. Idaho Power and the rest of the NEEA funders are currently in active discussions with NEEA to finalize their 2015–2019 funding cycle agreements.

While ICL is concerned that the Company does not collaborate with the EEAG, Idaho Power also has concerns that the EEAG is not being utilized as intended. As stated in Order No. 28894 at 7 and in the EEAG charter, the role of the EEAG is to advise Idaho Power on new program selection, program prioritization, existing program enhancement and modifications, program evaluation and measurement of savings, cost-effective methods and criteria, incentive level recommendations, and existing program activity reporting. Idaho Power has continually attempted to utilize the skills provided by the EEAG to add value to its programs and use the experience and expertise within the group to provide guidance to the Company. The Company has increased the number of meetings, offered to meet with EEAG members outside of structured meetings, and included confidential discussions about sensitive topics when appropriate. However, an aggressively critical subset within the EEAG membership has overpowered discussions and made collaborative work difficult. When discussions are repressed, Idaho Power may miss out on valuable input from EEAG members or other meeting attendees. Regardless of differences among constituents, Idaho Power seeks

to engage all EEAG members as allies in pursuing cost-effective energy efficiency. It is unfortunate that the tone of certain participant comments within the EEAG meetings can and does make it difficult for EEAG guidance to work as intended.

4. Process Evaluation Results Obtained in 2013.

Staff criticizes the Company for failing to make immediate changes based upon criticisms and suggestions in process evaluations received mainly in December 2013. Staff Comments at 8. The Company conducts third-party process evaluations in order to improve processes associated with the Company's programs, and impact evaluations to validate energy savings. When warranted, the Company makes changes to those processes or energy savings calculations. These evaluations and Idaho Power's future plans for process improvement or changes to energy savings calculations based upon their results (when possible and when timing permits), are included in the DSM Annual Report. DSM 2013 Report, Supplement 2: Evaluation. Staff's criticisms are based on process evaluations that, with one exception, were received in December of 2013; therefore the Company was unable to respond to them during the 2013 calendar year. It is unreasonable to think that the Company can react to evaluations received in December with program changes prior to the publication of the DSM Annual Report in March. Staff and Intervenors should work with the Company through the EEAG to use process evaluations as a method to make continuous program improvements going forward, not as a means to criticize the Company's program administration before allowing the Company an opportunity to address or incorporate suggested program modifications.

5. Program-Specific Concerns.

Some comments included recommendations for different cost-effectiveness tests or program-specific changes. While Idaho Power believes that these issues are better addressed in another forum (either through the EEAG or in a forward-looking Commission case), the Company will nonetheless reply.

ICL believes that the Commission should focus primarily on the UCT for determining cost-effectiveness. ICL Comments at 5. Until or unless the Company is directed by the Commission, the Company will continue to follow the MOU and endeavor to operate programs that meet all cost-effective tests as ordered by the Commission. ICL asserts that Idaho Power should increase the incentive for the Ductless Heat Pump pilot to increase participation. ICL Comments at 9. While the pilot program passes the UCT, it fails the TRC test, and the Company believes that it should not make changes to programs that would make them less cost-effective.

ICL criticizes the Company for its processes in the Energy Efficient Lighting program, labeling the requirement for a program specialist to perform a line item review of invoices as "onerous and cumbersome." ICL Comments at 9. Idaho Power believes that it is important to review invoices to ensure that customer funds are prudently spent. Furthermore, the specific process referenced is necessary as a control to meet the financial reporting requirements of the Sarbanes-Oxley Act.[3] While it would certainly be easier to skip this process, Idaho Power has a fiduciary responsibility and must ensure all of its legal and regulatory requirements are met.

Some additional ICL recommendations have already been addressed by Idaho Power. ICL suggests that Idaho Power should expand a portion of the Energy House

[3] Sarbanes-Oxley Act (SOX) is a United States Federal law, enacted in July 30, 2002. It describes specific mandates and requirements for financial reporting mostly for all U.S. Public Company boards.

Calls program to other housing stock. ICL Comments at 10. Idaho Power presented its research on expanding duct sealing to other residential housing stock at the August 19, 2014, EEAG meeting, obtained input from the EEAG on how to move forward, and is in the process of implementing this expansion. ICL also criticized the Company's Home Products program claiming that the process for customers to claim incentives; requiring after purchase submission of receipts, is cumbersome. ICL Comments at 14. Idaho Power researched options to redesign the program to increase participation and maintain cost-effectiveness. Idaho Power presented this information at the August 19, 2014, EEAG meeting and received input from EEAG members on such options.

C. Marketing Concerns.

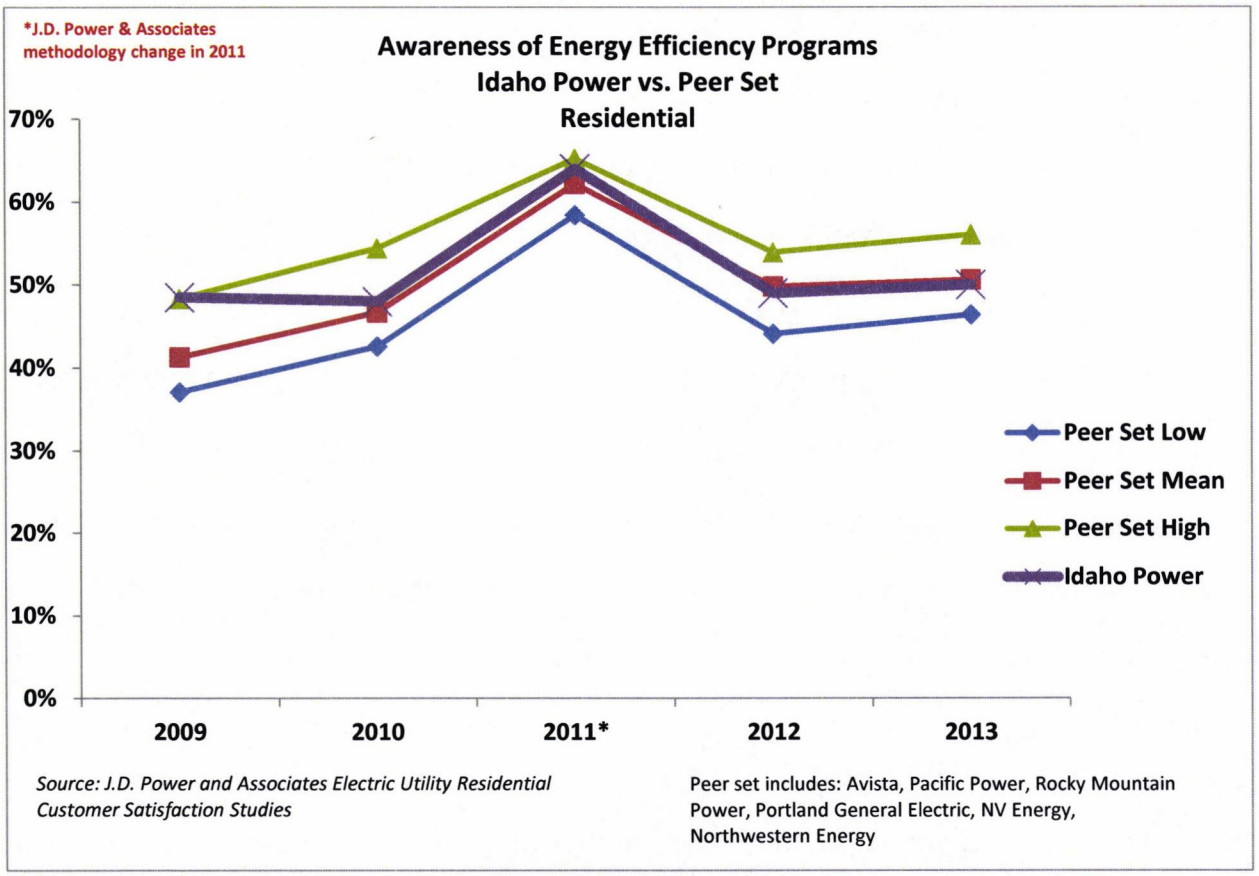
ICL and Staff raise several concerns regarding the Company's marketing efforts, alleging that ineffective marketing of its DSM programs may be a cause of declining energy savings. Idaho Power's marketing activities and efforts are supported by national marketing practices in the utility industry and have proven to be as effective as comparable utilities.

1. Idaho Power's Customer Awareness of its Energy Efficiency Programs is Comparable to Regional Utilities.

Staff raises marketing concerns as a possible cause of the Company's declining energy savings. Staff Comments at 7. Staff concluded that levels of awareness of Idaho Power's energy efficiency programs as reported in the J.D. Power and Associates Customer Satisfaction Studies (the "Studies") were evidence of ineffective marketing of Idaho Power's DSM programs. *Id.* However, when compared to a relevant group of other western utilities including Avista, Pacific Power, Rocky Mountain Power, Portland General Electric, Northwestern Energy, and NV Energy, Idaho Power customers are just as aware as the customers of the average utility in this peer set. The Studies report

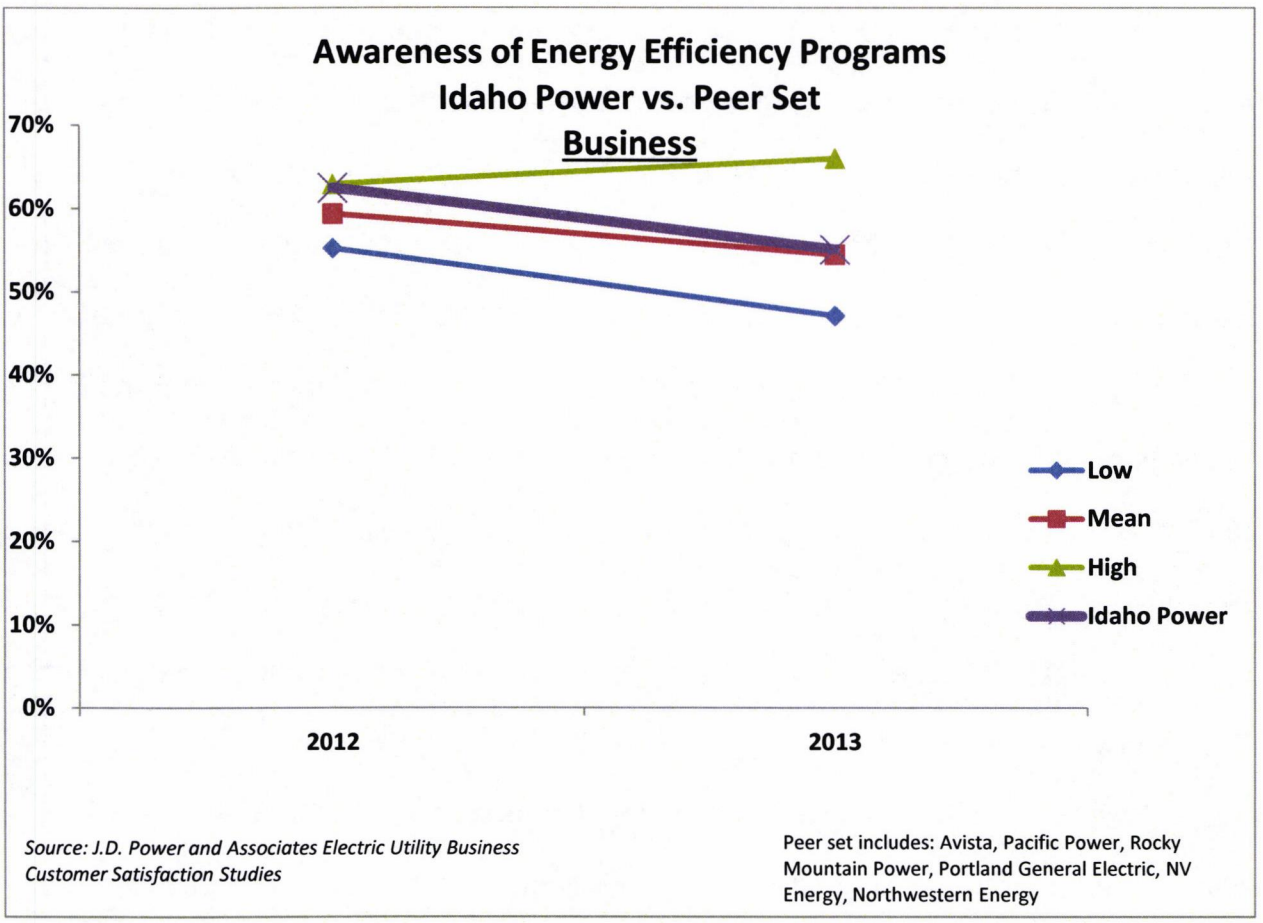
that 50 percent of Idaho Power's residential customers and 55 percent of its business customers are aware of its energy efficiency programs.

For residential customers in 2013, the highest awareness score among this peer set of utilities was 56 percent, the lowest score was 46 percent, and the average was 51 percent.



Idaho Power's 50 percent awareness for residential customers is just below the average peer set score, which is not statistically significant.

For business customers in 2013, the highest awareness score among the group was 66 percent, the lowest score was 47 percent, and the average was 54 percent.



Idaho Power's 55 percent awareness for business customers is just above the average peer set score, and the difference is not statistically significant.

Idaho Power's energy efficiency awareness scores for both residential and business customers is comparable to the average utility in a relevant peer set. Therefore, if energy efficiency program awareness is a measurement of marketing effectiveness, it is safe to say Idaho Power's marketing efforts are no less effective than the average peer set utility.

2. Idaho Power's Marketing Efforts are Effective, Widespread, and Ongoing.

Staff and ICL criticize the Company's marketing efforts, but offer no substantive research to support their claims. Staff Comments at 7 and ICL Comments at 7-8.

There are many factors impacting a customer's decision to implement energy efficient measures, and marketing alone is not sufficient to increase adoption rates. Awareness is only one of many factors in the consumer decision making process. Consumers need to first recognize they have a need or a problem. Consumers seek information to solve a problem, evaluate alternatives, and then choose a product or service. The utility's marketing challenge is to present customers with information or motivation *when* the customer needs it. As explained by a leading expert, consumers don't know about products and services until they have a reason to know about them. *Engel*, *Blackwell* and *Kollat* Five Step Model of Consumer Buying Decision Process 1968. Belch, 2009, page 113, Advertising and Promotion: An Integrated Marketing Communications Perspective.

Customers face many barriers when choosing whether or not to engage in energy efficiency programs that are not attributable to marketing. For instance, utility bills may be small enough to ignore the need for energy efficiency. Customers often don't have the time to determine what efficiency improvements are worth pursuing and may feel the "hassle" of filling out forms and scheduling contractors is not worth the benefits. (The Rocky Mountain Institute, TURBOCHARGING EFFICIENCY PROGRAMS, Going for Broader and Deeper Savings 2011). Energy efficiency is a low interest category for the majority of consumers. ((Gallup Poll: Most Important Problem, Selected trend–January 2001-present. PollingReport.com–Problems and Priorities–Kaiser Family Foundation. University of Texas Energy Poll-http://www.utenergypoll.com/ut-energy-poll-shows-public-disconnect-on-energy-issues/1050-2/ Pike Research Poll, 2011. http://ecoseed.org/business/14138-most-americans-uninterested-in-energy-efficiency-home-improvements-poll-says)).

Americans claim to prioritize energy-efficient home improvements (26 percent) over aesthetic ones, yet projects planned for the near future indicate a higher propensity for remodeling kitchens and bathrooms than for energy-efficient improvements, like adding insulation or replacing HVAC units. (Shelton Group/Energy Pulse 2013). The National Resources Defense Council (NRDC) states that "energy efficient solutions often are more expensive on a first-cost basis than inefficient solutions, few in the economy are solely focused on energy efficiency and saving can be difficult to measure (Choi Granade et al. 2009 ix)." Natural Resources Defense Council, Precourt Energy Efficiency Center and Lawrence Berkeley National Laboratory, When "Not Losing" is Better Than "Winning": Using Behavioral Science to Drive Customer Investment In Energy Efficiency.

Staff refers to the non-participant survey performed by HANSA that cites unfamiliarity as the top barrier to participation across audiences. Staff Comments at 8. Based on a process evaluation recommendation in 2011 (Global Energy Partners/Cadmus), Idaho Power conducted this HANSA Study to gain an understanding of why customers do not participate in programs. Idaho Power surveyed only customers who have not participated in energy efficiency programs. Of these non-participants that responded to the survey "interest in participating in an energy efficiency program in the future is in the mid-to-low range." HANSA Residential Study Page 11.

In response to the HANSA Study, 2014 marketing plans include integrated campaigns in February and September using a variety of marketing channels (print, digital, television, and public relations) designed to raise awareness of all programs.

Staff cites the HANSA Study to assert that the vast majority of customers surveyed from all sectors believe energy efficiency programs are highly important. Staff

Comments at 8 (citing HANSA Study at 9). It is common for people to respond to surveys in a way that is altruistic and tends to put them in a positive light so the HANSA Study finding is not surprising. This difference between a survey respondent's intentions and actual actions is referred to as a "social desirability bias." For example, in another study, 52-95 percent of customers across multiple utility studies said they were willing to pay more for green power. Farhar 1999, Willingness to Pay for Electricity from Renewable Resources: A Review of Utility Market Research. However, actual participation rates in green power programs are much lower than those stated intentions—1.5 percent was the median national participation rate across US green power programs in 2012. Status and Trends in the U.S. Voluntary Green Power Market (2012 Data), NREL. It's an over simplification to believe that the vast majority of customers would sign up for programs if they were aware the programs existed.

3. High-Viewership Methods of Marketing are Costly and Not Effective.

Idaho Power strives to fund effective marketing techniques to drive demand for energy efficiency programs. Staff criticizes Idaho Power for failing to advertise through high-viewership methods such as billboards, TV, and radio. Staff Comments at 8. Billboards are effective for image campaigns, political campaigns, and immediate product purchase (i.e., hotel accommodations next exit). Billboards offer very little time to convey complex messages such as energy efficiency. Energy efficiency programs need more customer attention to effectively communicate its message. In 2014, the Company began testing the use of television marketing to promote energy efficiency programs. However, in the past, Idaho Power customers have expressed concern over the perceived cost of broadcast television. According to 35 utility marketers across the US, radio spots have a higher cost and low effectiveness when it comes to promoting

energy efficiency. E-Source Utility Marketing Survey 2013, Identifying What Works, http://www.esource.com/system/files/files/2013-12/ESource-RES-WC-2013-12-UMSurveyResults.pdf.

As a result, the majority of these national respondents avoid using radio. This is not to say that Idaho Power would never use billboards or radio spots to market its programs, however, it would likely limit its use of billboards or radio to instances where it has a relatively simple message to convey. Idaho Power customers have consistently indicated their preference for learning about energy efficiency through bill inserts and direct mail. HANSA Study at 11. Idaho Power continues to use bill inserts and direct mail because year-after-year studies show they are effective.[4]

To further expand its energy efficiency offerings and participation Idaho Power is implementing new programs and expanding its outreach to educate customers on energy efficiency options. In the residential sector, the Residential Shade Tree project launched in 2013. In 2014 the Home Energy Audit program launched and Light-Emitting Diodes (LED) lamps were added to the Efficient Lighting program.

In the commercial sector, early in 2013, the Company introduced two new program offerings in Custom Efficiency—Refrigeration Operators Coaching for Energy Efficiency (ROCEE) and Streamlined Custom Efficiency (SCE). In early 2014, Custom Efficiency launched a third new initiative called the Wastewater Energy Efficiency Cohort (WWEEC). All of these actions to drive savings have been shared with the EEAG.

[4] When respondents were asked to identify the source of communication they recall receiving from their utility, bill inserts had the highest recall at 44.3 percent with direct mail coming in second at 24.5 percent. J.D. Power 2014 Electric Utility Residential Customer Satisfaction Study. And in 2013, 48 percent of See Ya Later, Refrigerator participants heard about the program through a bill insert.

Idaho Power successfully conducted a Small Business Relationship Campaign from May 2013 through July 2013 to build relationships with business customers and to educate them about Idaho Power's DSM programs and how to use electricity wisely. Idaho Power customer representatives contacted customers and produced and distributed customer newsletters. Idaho Power developed a small business strategy to bring a greater focus on its "main street" business customers with the primary goal of strengthening the Company's relationships. The Company's three-pronged strategy was to: (1) send targeted letters to small business customers, (2) conduct face-to-face visits with small business customers, and (3) continue to produce and distribute customer publications such as the Easy Upgrades bill insert (August 2013) and the Energy @ Work newsletter (spring & fall). Customer representatives conducted 4,049 visits with small businesses, which was 161 percent of goal. Letters were mailed to 10,300 small business customers. All of these activities help to increase program participation in 2013 and 2014.

In late 2013, the Company formed an internal New Ideas Team to investigate new energy savings opportunities and to examine those measures identified as having significant potential in the EnerNOC Study. Four new program/measure ideas were presented by Idaho Power and discussed at the August 19, 2014, EEAG meeting.

III. CONCLUSION

A decline in energy efficiency savings does not indicate the Company's commitment to DSM is waning. The Company takes its mandate to pursue all cost-effective energy savings seriously and is continually endeavoring to increase program participation and savings regardless of the challenges it is facing in today's environment. These challenges include a negative dynamic in the EEAG, lower

avoided costs, and the impact of the transforming market through lower deemed savings estimates because the baseline from which savings are measured is becoming more efficient. Despite these challenges, Idaho Power continues to work with its stakeholders through the EEAG to optimize its current programs and to explore and implement new programs and initiatives.

Idaho Power has conformed to the guidelines of the MOU signed by Staff and Idaho's investor-owned utilities and has provided evidence that the Company's 2013 DSM expenses were prudently incurred. For the reasons set forth above, Idaho Power requests that the Commission find that the Company prudently incurred $25,951,486 in DSM-related expenditures, which amount includes $21,748,331 in Rider funds, and $4,203,155 of demand response incentives included in the 2014 PCA. The Company requests that the Commission limit its order in this case to a determination of whether its 2013 DSM expenditures were prudently incurred.

Respectfully submitted this 9th day of September 2014.

JULIA A. HILTON
Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 9th day of September 2014 I served a true and correct copy of IDAHO POWER COMPANY'S REPLY COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

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Elizabeth Paynter, Legal Assistant

BEFORE THE

IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. IPC-E-14-04

IDAHO POWER COMPANY

ATTACHMENT 1

REQUEST NO. 6: The Company has indicated that the decrease in acquired energy savings can be attributed, in part, to reduced deemed savings estimates approved by the Regional Technical Forum. Please provide a list of all measures offered by the Company that were affected by changes in RTF estimates. Please also include the energy savings for those measures using both the previous RTF deemed savings amount and the new RTF deemed savings amount.

RESPONSE TO REQUEST NO. 6: In recent years, the Regional Technical Forum ("RTF") has implemented savings guidelines and protocols, increased responsiveness to regional program evaluations, and frequently responded to measure baseline changes whether due to codes and standards or sales based data. In order to evaluate the savings impacts due strictly to RTF deemed savings value updates, Idaho Power analyzed the impact to 2013 program performance with the changes that occurred between the 2012-2013 program years to the deemed values. These changes affected six programs: Ductless Heat Pump Pilot; Energy Efficient Lighting; Home Products; See ya later, refrigerator®; Irrigation Efficiency Rewards; and Green Motors Rewinds (agricultural and industrial).

Please see the Excel file provided on the non-confidential CD. The attachment has eight worksheets, including a summary worksheet, and seven program measure specific worksheets indicating the impact to savings due to RTF deemed savings updates. Please see the table below for definitions of the columns used in the Excel file.

COLUMN TITLE	DESCRIPTION AND NOTES
Program	Impacted Idaho Power program
Measure Description	Affected measure within program
2013 Participation	The number of units associated with the measure description that received incentives during 2013
2013 Average per Unit Deemed Savings (kWh)	Represents the 2013 weighted average unit deemed value on the summary tab, represents the actual deemed value on the program tabs, and will match values in the 2013 Supplement 1
2013 Savings Using 2013 Unit Deemed Savings (kWh)	Savings calculated using 2013 deemed values and unit counts
2012 Average per Unit Deemed Savings (kWh)	Represents the 2012 weighted average unit deemed value on the summary tab, represents the actual deemed value on the program tabs, and will match values in the 2012 Supplement 1
2013 Savings Using 2012 Unit Deemed Savings (kWh)	Savings calculated using 2012 deemed values and unit counts
Difference (kWh)	Net difference in savings calculation methods [2013 - 2012]]
Percentage Change	Percentage change in savings between 2013 and 2012 using the different deemed values
Additional Notes	Additional information

The summary analysis shows that the savings both increased and decreased for specific measures and programs. The residential sector had the largest decrease in savings and largest number of programs affected. Using 2013 participation numbers and 2012 deemed values, the residential sector would have reported 25,702,238 kilowatt-hours ("kWh") of savings compared with the reported savings for 2013 of 17,005,274 kWh of savings in the 2013 DSM Annual Report. Both Irrigation Efficiency Rewards and the Green Motors programs showed increases due to RTF updates. The Irrigation sector increased by 5,431,367 kWh when comparing savings using 2012 and 2013 deemed values.

The Green Motors program for industrial projects showed a small increase of 18,841 kWh due to changes in savings between the two comparison years. With the exception of the Green Motors Rewinds measures for industrial projects, the RTF

changes had little impact in the commercial/industrial sector. The Easy Upgrades program sources a few measures from the RTF; however, those savings assumptions did not change between 2012 and 2013.

The response to this Request is sponsored by Pete Pengilly, Customer Research and Analysis Leader, Idaho Power Company.